



**TOWN OF HOLDEN BEACH
BOARD OF COMMISSIONERS
SPECIAL MEETING
MONDAY, AUGUST 12, 2019 – 1:00 P.M.**

The Board of Commissioners of the Town of Holden Beach, North Carolina met for a Special Meeting on Monday, August 12, 2019 at 1:00 p.m. in the Town Hall Public Assembly. Present were Mayor J. Alan Holden; Mayor Pro Tem John Fletcher; Commissioners Mike Sullivan, Pat Kwiatkowski and Peter Freer; Town Manager David W. Hewett; Town Clerk Heather Finnell; and Fiscal Operations Clerk Mandy Lockner. Commissioner Joe Butler was unable to attend the meeting.

Mayor Holden called the meeting to order.

PUBLIC COMMENTS

Dolly Mitchell said she is frustrated; she came to the beach to retire and enjoy herself, but every time she turns around there is some kind of special meeting. She thinks this particular agenda item should be taken up at the regular meeting. She comes to the meetings because she is tired of getting partial information. Mrs. Mitchell stated more people need to be in meetings when there is a budget change. The regular meeting is only eight days away. Looking at the contract, she is wondering when it became standard practice for the chair of the Audit Committee to be a signatory on the contract. She asked what obligation the chair has when signing that contract. She said any time the auditor contacts the Town, the town manager/finance officer should sit in so records can be kept. She asked if they will be told that the town manager/ finance officer is the contact person when the contract is signed.

Commissioner Kwiatkowski asked if the Board is willing to consider flipping items 3 and 4. She feels they may be out of order. Commissioner Freer stated the Board selected the auditor and the issue was we didn't have the funds so they were asked to move the funds to accommodate the deficit. He added he understands it is a standard Local Government Commission (LGC) contract. Commissioner Kwiatkowski said in the LGC contract it also talks about the engagement letter. That also needs to be considered as part of the contract. She said there are some things in the engagement letter she would like to discuss. Commissioner Freer would like to keep the order that is defined. Mayor Pro Tem Fletcher said he understands the only reason the Town couldn't sign the contract was because we didn't have the money appropriated. Commissioner Kwiatkowski said we didn't have a contract at that time. The money was an issue, however without the contract in front of the Board they could not proceed.

Motion by Commissioner Kwiatkowski that we discuss 4, Discussion and Possible Action on the Audit Contract for Fiscal Year 2018 - 2019 before we discuss the possible action on the ordinance. No second was made.

DISCUSSION AND POSSIBLE ACTION ON ORDINANCE 19-12, AN ORDINANCE AMENDING ORDINANCE 19-10, THE REVENUES AND APPROPRIATIONS ORDINANCE FOR FISCAL YEAR 2019 – 2020 (AMENDMENT NO. 2)

Motion by Mayor Pro Tem Fletcher to approve the ordinance amending Ordinance 19-10, the Revenues and Appropriations Ordinance for Fiscal Year 2019 – 2020 (Amendment No. 2), page 1; second by Commissioner Freer.

Commissioner Kwiatkowski does not approve of using Rives under the existing contract the way it is written. She doesn't approve of using them period, but she specifically does not approve of the way the engagement letter is written. She would like to take this to the regular meeting to discuss the conditions under which the decision was made that did not take into account other Audit Committee members' advice after they found out there could be other firms considered. She thinks that and spending an additional \$15,000 for the auditor should be discussed with the public at the regular meeting. She can't vote to approve extra funds on a contract that she doesn't agree with the terminology. Commissioner Freer said everything that was just brought up was brought up at the regular meeting. The Board had a special meeting because time is of an essence. We are on a list because we were late with our last audit and we want to be on schedule for the upcoming audit. He said that is why they all agreed to have the special meeting.

The motion passed by a 3 – 1 vote with Mayor Pro Tem Fletcher and Commissioners Sullivan and Freer voting for the motion and Commissioner Kwiatkowski voting in the negative.

DISCUSSION AND POSSIBLE ACTION ON THE AUDIT CONTRACT FOR FISCAL YEAR 2018 – 2019 WITH RIVES AND ASSOCIATES

Motion by Mayor Pro Tem Fletcher to approve the audit contract for fiscal year 2018 – 2019 for Rives and Associates; second by Commissioner Freer.

Commissioner Kwiatkowski read from the engagement letter on page 3 at the bottom under Audit Procedures General. She said the letter must define exactly who is going to receive the communications in the section. One of her major complaints against Rives was the fact that they seem muddled about who they are supposed to communicate with. She wants it made clear that communications are with Town management, that there is not discussion off the record with anybody else. There is no discussion off the record with Town management because they have to keep track of what is said. She stated there cannot be independent approaches to the auditor, off the record statements. That just causes confusion at the end. Commissioner Kwiatkowski stated she believes it needs to be specified who communications will go through. It should be to the Town, probably through the town clerk would be appropriate and to nobody else. There is also discussion about communication if it becomes clear that there is going to be additional time needed. She said last year we all know what happened. The audit firm knew that they needed to have additional time and money to complete the audit and did not communicate it promptly to the town manager for immediate consideration. They did not communicate it to the LGC. Commissioner Kwiatkowski believes it needs to be specified that after one day of concluding extra time is necessary there needs to be direct communication to the town manager. That is on page 6. She would like those changes to the engagement letter to be sent to Rives and they need to provide us with a new letter because it is

considered part of the contract before the Town signs this. Commissioner Freer stated he has no problem with the additions. Commissioner Sullivan said the Board had this discussion at the last meeting and he objected to Rives being obtained again. The reason he will vote for the contract is because the Board did discuss that time is of an essence and the need for the Town to move quickly, which is why the meeting was set up for today. Despite his objections to retaining Rives, he lost on that vote a week ago; he will vote in favor of the contract. Mayor Pro Tem Fletcher stated he thinks the concerns can be taken care of separately. He doesn't have a problem with sending this to the LGC and communicating with Rives. They can tell them that Town Manager Hewett is the only one they report to. He doesn't think there will be a problem with them understanding that.

Town Manager Hewett said on page 7 of the letter of engagement it says management's signature. He believes if he signs that management as relates to what the letter entails is defined by who signs the letter. The governance signature is the mayor as the chair of the Board. Mayor Pro Tem Fletcher said in the event the mayor is not here, the mayor pro tem signs for him. He stated the Audit Committee chair would never sign for him unless they happen to be the same person. Town Manager Hewett thinks the references take care of themselves the way the document is prepared in terms of management discussion.

The motion passed by a 3 – 1 vote with Mayor Pro Tem Fletcher and Commissioners Sullivan and Freer voting for the motion and Commissioner Kwiatkowski voting in the negative.

ADJOURNMENT

Motion by Mayor Pro Tem Fletcher to adjourn at 1:15 p.m.; second by Commissioner Freer; approved by unanimous vote.

J. Alan Holden, Mayor

ATTEST:

Heather Finnell, Town Clerk